

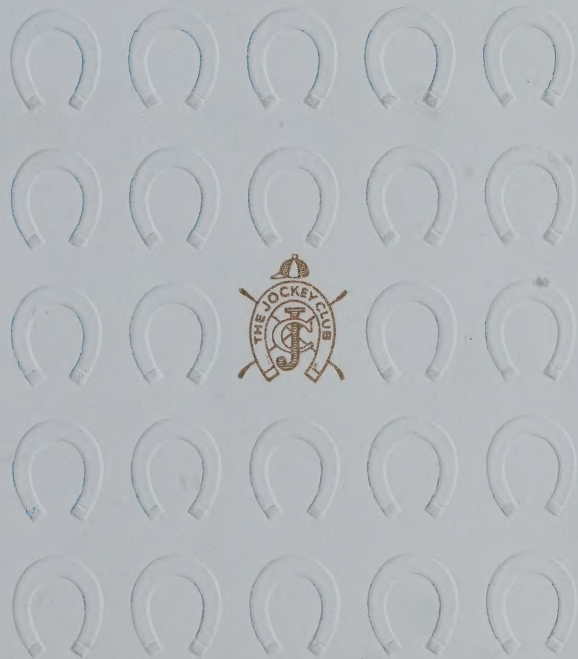
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THE JOCKEY CLUB LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

NOVEMBER 30, 1966



**THE JOCKEY CLUB LIMITED    ANNUAL REPORT**



FOR THE YEAR ENDED NOVEMBER 30, 1966



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# THE JOCKEY CLUB LIMITED Toronto, Ontario

<b>directors</b>	J. ELGIN ARMSTRONG - - - - -	Brampton, Ontario
	G. M. BELL - - - - -	- Calgary, Alberta
	C. F. W. BURNS - - - - -	King, Ontario
	H. J. CARMICHAEL - - - - -	Toronto, Ontario
	ALLEN CASE - - - - -	Todmorden, Ontario
	GEORGE R. GARDINER - - - - -	Toronto, Ontario
	THE RIGHT HONOURABLE VISCOUNT HARDINGE - - - - -	Montreal, P.Q.
	*GEORGE C. HENDRIE - - - - -	Toronto, Ontario
	J.-L. LÉVESQUE - - - - -	Outremont, P.Q.
	R. S. McLAUGHLIN - - - - -	Oshawa, Ontario
	JOHN J. MOONEY - - - - -	Toronto, Ontario
	M. D. RICHARDSON - - - - -	- Aurora, Ontario
	WOLFGANG von RICHTHOFEN - - - - -	Campbellville, Ontario
	*J. E. FROWDE SEAGRAM - - - - -	Waterloo, Ontario
	†F. A. SHERMAN - - - - -	Ancaster, Ontario
	*CONN SMYTHE - - - - -	Toronto, Ontario
	*E. P. TAYLOR - - - - -	Bahama Islands

\*Executive Committee

†Deceased January 27, 1967.

<b>officers</b>	E. P. TAYLOR - - - - -	Chairman of the Board
	GEORGE C. HENDRIE - - - - -	President
	JOHN J. MOONEY - - - - -	Executive Vice-President
	ALLEN CASE - - - - -	Vice-President
	R. S. McLAUGHLIN - - - - -	Vice-President
	J. E. FROWDE SEAGRAM - - - - -	Vice-President
	ALLAN G. ISBISTER, C.A. - - - - -	Vice-President-Finance and Treasurer
	JOHN H. KENNEY - - - - -	Secretary
	ROLAND B. ROBERTS - - - - -	Assistant Treasurer

<b>solicitors</b>	LUDWIG, FISHER AND HOLNESS - - - - -	Toronto, Ontario
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<b>auditors</b>	CLARKSON, GORDON & CO. - - - - -	Toronto, Ontario
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<b>transfer agents</b>	NATIONAL TRUST COMPANY, LIMITED - - - - -	Toronto, Montreal, Winnipeg and Vancouver
<b>and registrars</b>	EMPIRE TRUST COMPANY - - - - -	New York
	(BANK OF NEW YORK effective December 7, 1966)	

# THE JOCKEY CLUB LIMITED

Toronto, Ontario

## ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Your Directors present herewith the annual report of your Company together with a statement of the affairs and financial position as at November 30, 1966.

### race meetings

Thoroughbred racing followed the pattern of previous years. The harness racing season was again extended, with the additional racing days being allocated to Greenwood and Mohawk.

The number of racing days at each of your Company's tracks during the past three years was as follows:

	1966	1965	1964
Thoroughbred racing at Woodbine.....	76	76	76
Greenwood....	52	52	52
Fort Erie.....	68	68	68
	<hr/> 196	<hr/> 196	<hr/> 196
Standardbred racing at Greenwood....	83	78	102
Mohawk.....	78	60	66
Garden City...	84	85	36
	<hr/> 245	<hr/> 223	<hr/> 204
	<hr/> 441	<hr/> 419	<hr/> 400

### financial results of operations

Gross revenues and operating expenses increased by \$2,009,485 (9.9%) and \$1,494,007 (9.6%), respectively. Operating profit increased by \$442,424 and, after deducting financial expenses, income taxes and the interests of minority shareholders, the net profit for the year decreased by \$76,611.

Both average daily wagering and average daily attendance increased during the past year. While the additional volume of business for the year at thoroughbred racing was somewhat disappointing, larger increases were obtained at the standardbred race meetings which, in the aggregate, exceeded our expectations.

After taking into account the additional twenty-two days of standardbred racing, the increase in operating expenses was mainly attributable to a higher purse distribution to the standardbred horsemen, increases in salary and wage costs and property maintenance expenses and higher fixed overhead expenses such as taxes on properties and government welfare plans.



A comparative summary of the financial results of operations is set out below:

	1966	1965	1964
Income:			
Commission on mutual wagering.....	\$16,566,205	\$15,105,348	\$14,186,897
Admissions (not including taxes collected).....	3,166,267	2,879,292	2,823,946
Concessions, programs and parking.....	2,304,458	2,043,075	1,870,137
Other income.....	328,532	328,262	310,395
Total.....	<u>22,365,462</u>	<u>20,355,977</u>	<u>19,191,375</u>
Operating expenses:			
Purses.....	7,010,924	6,472,820	5,978,320
Salaries and wages.....	4,151,363	3,815,008	3,534,039
Other operating and main- tenance expenses.....	5,918,008	5,298,460	4,849,498
Total.....	<u>17,080,295</u>	<u>15,586,288</u>	<u>14,361,857</u>
Operating profit before depre- ciation.....	5,285,167	4,769,689	4,829,518
Depreciation.....	1,222,472	1,149,418	1,041,333
Operating profit.....	4,062,695	3,620,271	3,788,185
Interest (including bond and de- benture interest and discount and bank interest) (net)...	964,170	1,084,100	1,008,972
Profit before income taxes and minority interests.....	3,098,525	2,536,171	2,779,213
Income taxes.....	1,650,000	1,020,000	1,080,000
Profit before minority interests	1,448,525	1,516,171	1,699,213
Minority interests.....	4,391	(4,574)	3,270
Net profit for the year.....	<u>\$ 1,444,134</u>	<u>\$ 1,520,745</u>	<u>\$ 1,695,943</u>
Taxes on wagering and admis- sions collected for taxation authorities.....	\$11,240,231	\$10,269,042	\$ 9,663,298
Earnings per common share..	20¢	23¢	27¢
Common shares outstanding (average for year).....	<u>5,383,859</u>	<u>4,922,134</u>	<u>4,686,953</u>

During the year, the Company changed its method of providing for income taxes to include in the current year's provision income taxes of \$322,000 which will not be currently payable as a result of claiming for income tax purposes depreciation in excess of amounts recorded in the accounts. If this method had been used in 1965 and 1964, the provision for income taxes would have been higher and the net profit for those years would have been lower by \$354,000 and \$406,000, respectively.

#### capital expenditures

During the year under review the major projects referred to in the last annual report were completed, including an addition to the grandstand and the terrace dining room at Mohawk, and the enclosing of the grandstand at Garden City.

With regard to the current fiscal year, it is anticipated that the first phase of a three-year program of parking lot paving for all five race tracks will be completed. Improvements necessary for winter racing have already been



## plans and prospects

made at Greenwood and these include heating and ventilating of public areas and enclosure of the paddock. Other capital expenditures include a mobile printing plant which has been acquired for the purpose of producing racing programs for all three standardbred raceways.

The 1967 racing dates have been granted by the Ontario Racing Commission and the federal Department of Agriculture and the standardbred racing dates have been approved by the Canadian Trotting Association.

The standardbred racing schedule for 1967 comprises 270 programs during the period January 2nd to December 9th. Four programs of standardbred racing were conducted at Greenwood each week during the months of January, February and March. The thoroughbred racing season of 196 days will follow a different pattern than in previous years. Whereas in the past several years the season has commenced at Fort Erie, the first meeting of 1967 will open at Greenwood on March 30th. In the case of both types of racing, the meetings scheduled for 1967 are more numerous and generally of shorter duration.

Although your Directors have consistently sought additional sources of revenue and means of reducing controllable costs, it is becoming increasingly difficult to offset rising and uncontrollable costs with increased revenue. In this connection, several new policies have recently been adopted. During the year under review, a reduced admission charge replaced the free "late gate" at all race tracks and constitutes a significant source of additional revenue. The introduction of winter racing at Greenwood in 1967 has proven successful, justifying the necessary capital expenditures. A policy of paid parking in all parking areas was implemented at the commencement of the 1967 standardbred racing season, and it is already evident that this policy will contribute substantially to your Company's revenue. The use of the newly acquired mobile printing plant will reduce considerably the cost to the Company of standardbred racing programs.

There are serious economic problems confronting all segments of the racing industry which, in the opinion of your Directors, result primarily from the detrimental effect of the tax burden on the industry. Assuming that a solution can be found to these basic underlying problems, your Directors are confident that the Company's financial results will show improvement.

It is with extreme regret that we report the deaths during the past year of Mr. J. Maitland Macintosh, Q.C. and Mr. Frank A. Sherman, both of whom gave many years of invaluable service to your Company as Directors.

Your Directors wish to express their appreciation of the support received from those gentlemen from the United States who serve as Directors of The Fort Erie Jockey Club Limited. It is also with regret that we record the deaths of Mr. H. W. Wendt and Mr. T. L. Holling, who served as Directors of that Company.

Your Directors also wish to thank all those who, in their various capacities, contributed to the success of the Company's operations.

On behalf of the Board of Directors,

E. P. TAYLOR,  
*Chairman.*

Toronto, March 29, 1967.

# THE JOCKEY

(Incorporated  
AND ITS SUBSIDIARIES)

## CONSOLIDATED BALANCE SHEET

(with comparative figures for 1965)

### assets

	1966	1965
Cash and short term notes . . . . .	\$ 376,232	\$ 1,665,146
Accounts receivable . . . . .	83,708	121,328
Prepaid expenses . . . . .	129,469	152,488
Special refundable tax . . . . .	65,370	
Fixed assets—at cost:		
Land and land improvements . . . . .	4,117,578	4,086,143
Buildings and equipment . . . . .	43,287,441	40,666,819
Less accumulated depreciation . . . . .	9,250,371	8,065,860
	<u>34,037,070</u>	<u>32,600,959</u>
	38,154,648	36,687,102
Bond and debenture discount less amounts written off . . . . .	557,900	631,900
Excess of cost of acquisition of shares in sub- sidiary companies over book value of assets acquired less amounts written off . . . . .	2,796,042	2,796,042
On behalf of the Board:		
E. P. TAYLOR, <i>Director</i>		
GEORGE C. HENDRIE, <i>Director</i>		
	<u>\$42,163,369</u>	<u>\$42,054,006</u>

(See accompanying notes)



# LUB LIMITED

(In accordance with the laws of Ontario)

INDUSTRIAL COMPANIES

## STATEMENT OF FINANCIAL POSITION, NOVEMBER 30, 1966

(Figures for 1965)

	Liabilities	
	1966	1965
Accounts payable and accrued charges . . . .	\$ 1,402,974	\$ 1,065,141
Accrued bond and debenture interest . . . . .	152,311	163,100
Income taxes payable . . . . .	611,223	417,856
Dividends payable . . . . .	359,394	306,622
Deferred income taxes (note 4) . . . . .	322,000	
Bonds and debentures payable (note 1) (sinking fund payments due within one year: 1966—\$435,000; 1965—\$390,000) . . . .	15,134,000	15,964,000
Equity of minority shareholders in subsidiary companies . . . . .	48,624	44,233
Shareholders' equity:		
Capital (note 2)—		
First preference shares . . . . .	3,297,600	3,397,600
Second preference shares . . . . .	3,000,000	3,000,000
Common shares . . . . .	12,470,314	12,443,488
	<hr/> 18,767,914	<hr/> 18,841,088
Earned surplus (note 3) . . . . .	5,364,929	5,251,966
	<hr/> 24,132,843	<hr/> 24,093,054
	<hr/> \$42,163,369	<hr/> \$42,054,006

(See the financial statements)

# THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

## STATEMENT OF CONSOLIDATED PROFIT AND LOSS

for the year ended November 30, 1966

(with comparative figures for 1965)

	1966	1965
Profit for the year before the following.....	\$5,260,714	\$4,703,143
Deduct:		
Depreciation.....	1,222,472	1,149,418
Bond and debenture interest and discount..	939,717	1,017,554
	<u>2,162,189</u>	<u>2,166,972</u>
	3,098,525	2,536,171
Income taxes.....	1,650,000	1,374,000
Less reduction from claiming additional depreciation (note 4).....		354,000
	<u>1,650,000</u>	<u>1,020,000</u>
Net profit before minority shareholders' portion of profit or loss in subsidiary companies....	1,448,525	1,516,171
Minority shareholders' portion of profit (loss) of subsidiary companies.....	4,391	(4,574)
Net profit for the year.....	<u>\$1,444,134</u>	<u>\$1,520,745</u>

## STATEMENT OF CONSOLIDATED EARNED SURPLUS

for the year ended November 30, 1966

(with comparative figures for 1965)

	1966	1965
Balance at beginning of year.....	\$5,251,966	\$4,896,196
Add net profit for the year.....	1,444,134	1,520,745
	<u>6,696,100</u>	<u>6,416,941</u>
Deduct:		
Dividends declared during year on—		
First preference shares Series A.....	131,935	136,195
First preference shares Series B.....	62,053	64,424
Second preference shares 1963 Series...	168,000	168,000
Common shares.....	969,183	796,356
	<u>1,331,171</u>	<u>1,164,975</u>
Balance at end of year.....	<u>\$5,364,929</u>	<u>\$5,251,966</u>

(See accompanying notes to the financial statements)



# THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

## STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF CASH

for the year ended November 30, 1966

(with comparative figures for 1965)

	1966	1965
Cash provided:		
From operations—		
Net profit for year . . . . .	\$ 1,444,134	\$1,520,745
Minority interest in profit (loss) of subsidiary companies . . . . .	4,391	(4,574)
Depreciation . . . . .	1,222,472	1,149,418
Amortization of bond and debenture discount . . . . .	74,000	77,800
Deferred income taxes . . . . .	322,000	
	<u>3,066,997</u>	<u>2,743,389</u>
Net decrease in accounts receivable and prepaid expenses . . . . .	60,639	82,324
Net increase (decrease) in liabilities other than deferred income taxes and bonds and debentures payable . . . . .	573,183	(523,911)
Issue of common shares for cash . . . . .	26,826	2,808,085
Total cash provided . . . . .	<u>3,727,645</u>	<u>5,109,887</u>
Cash expended:		
Purchase of fixed assets (net) . . . . .	2,690,018	2,162,935
Less withdrawal of funds on deposit with trustee . . . . .		330,629
	<u>2,690,018</u>	<u>1,832,306</u>
Special refundable tax . . . . .	65,370	
Retirement of bonds and debentures payable . . . . .	830,000	830,000
Redemption of preference shares . . . . .	100,000	109,000
Dividends declared . . . . .	1,331,171	1,164,975
Total cash expended . . . . .	<u>5,016,559</u>	<u>3,936,281</u>
Increase (decrease) in cash . . . . .	<u>\$ (1,288,914)</u>	<u>\$1,173,606</u>
Cash at end of year . . . . .	\$ 376,232	\$1,665,146
Cash at beginning of year . . . . .	<u>1,665,146</u>	<u>491,540</u>
Increase (decrease) in cash during year as above . . . . .	<u>\$ (1,288,914)</u>	<u>\$1,173,606</u>

(See accompanying notes to financial statements)

# THE JOCKEY CLUB LIMITED

AND ITS SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended November 30, 1966

### (1) BONDS AND DEBENTURES:

	Principal amount issued	Outstanding November 30, 1965	Retired during the year	Outstanding November 30, 1966
First Mortgage Sinking Fund Bonds—				
5¼% Series A, due January 1, 1971	\$ 4,000,000	\$ 2,000,000	\$200,000	\$ 1,800,000
6% Series B, due November 1, 1978	3,000,000	2,160,000	120,000	2,040,000
6% Series C, due November 15, 1980	3,000,000	2,580,000	120,000	2,460,000
5¾% Series D, due May 1, 1982 . . .	3,000,000	2,775,000	75,000	2,700,000
5¾% Series E, due November 15, 1983 . . . . .	3,000,000	2,850,000	75,000	2,775,000
Sinking Fund Debentures—				
5½% due January 1, 1972 . . . . .	6,000,000	3,599,000	240,000	3,359,000
	<u>\$22,000,000</u>	<u>\$15,964,000</u>	<u>\$830,000</u>	<u>\$15,134,000</u>

### (2) CAPITAL STOCK:

- (a) The authorized and issued capital of the company as at November 30, 1966 is as follows (with comparative figures as at November 30, 1965):

#### Authorized—

329,760	(1965—329,760) first preference shares with a par value of \$10 each
500,000	(1965—500,000) second preference shares with a par value of \$10 each
6,119,646	(1965—6,119,646) common shares without par value

#### Issued—

	1966	1965
218,092 (1965—224,092) 6% cumulative redeemable first preference shares, Series A (redeemable at \$10.50 per share) . . .	\$ 2,180,920	\$ 2,240,920
111,668 (1965—115,668) 5½% cumulative redeemable first preference shares, Series B (redeemable at \$10.50 per share) . . .	1,116,680	1,156,680
	<u>\$ 3,297,600</u>	<u>\$ 3,397,600</u>
300,000 (1965—300,000) 5.60% cumulative redeemable second preference shares 1963 Series (redeemable at \$10.50 per share) . . . . .	\$ 3,000,000	\$ 3,000,000
5,386,511 (1965—5,377,569) common shares . . .	<u>\$12,470,314</u>	<u>\$12,443,488</u>



- (b) During the year, the company purchased for cancellation first preference shares Series A and Series B having a par value of \$60,000 and \$40,000 respectively.

Under the conditions attached to the first preference shares Series A and Series B the company is required to allocate certain amounts to a sinking fund for the purchase of first preference shares Series A and Series B for cancellation. The amount required to be so allocated by January 15, 1967 will total \$100,000.

During the year 8,942 common shares were issued for a cash consideration of \$26,826 as a result of the exercise of options granted to certain executives and managers of the company which entitle the holders thereof to purchase common shares at \$3 per share. At November 30, 1966 an additional 217,363 unissued common shares were reserved for these options.

#### (3) DIVIDEND RESTRICTIONS:

The provisions attached to the first and second preference shares and the trust deed and indentures supplemental thereto securing the bonds and the trust indenture relating to the debentures all contain provisions restricting the declaration and payment of dividends. At December 1, 1966 the amount of earned surplus available for dividends on the common shares under the most restrictive of these conditions was approximately \$3,000,000.

#### (4) INCOME TAXES:

During the year the company changed its method of providing income taxes to include in the current year's provision income taxes of \$322,000 which will not be currently payable as a result of claiming for income tax purposes depreciation in excess of amounts recorded in the accounts. This amount is shown on the accompanying balance sheet as "Deferred income taxes". If this method had been followed in 1965, the provision for taxes would have been higher and the net profit for the year lower by \$354,000. Tax reductions from this source for prior years, aggregating \$3,051,000, have not been included in deferred income taxes.

#### (5) COMMITMENTS:

The company estimates that its current capital expansion program will cost an additional \$1,100,000. This program includes parking lot paving at all tracks and improvements at Greenwood required for winter racing.

*Clarkson, Gordon & Co.*

*Chartered Accountants*

15 Wellington Street West, Toronto 1, Canada

Halifax Quebec Montreal Ottawa

Toronto Hamilton Kitchener London Windsor

Winnipeg Regina Calgary Edmonton Vancouver

Arthur Young, Clarkson, Gordon & Co.  
United States—Brazil

Telephone 368-2751 (Area Code 416)

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*Auditors' Report*

To the Shareholders of

The Jockey Club Limited:

We have examined the consolidated balance sheet of The Jockey Club Limited and its subsidiary companies as at November 30, 1966, and the statements of consolidated profit and loss, earned surplus and source and application of cash for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of the companies as at November 30, 1966, the results of their operations for the year then ended and the factors giving rise to changes in their cash position during the year, in accordance with generally accepted accounting principles applied, except as indicated in note 4, on a basis consistent with that of the preceding year.

Toronto, Canada,  
February 27, 1967.

CLARKSON, GORDON & CO.  
*Chartered Accountants*



# THE JOCKEY CLUB LIMITED

## **subsidiary companies**

THE ASCOT TURF CLUB, LIMITED

THE BELLEVILLE DRIVING AND ATHLETIC ASSOCIATION LIMITED

THE CHATHAM DRIVING PARK COMPANY, LIMITED

THE DUFFERIN PARK DRIVING CLUB LIMITED

ESSEX RACING AND ATHLETIC CLUB LIMITED

THE FORT ERIE JOCKEY CLUB LIMITED

GREENWOOD RACING CLUB LIMITED

THE HAMILTON JOCKEY CLUB (LIMITED)

KENILWORTH JOCKEY CLUB, LIMITED

LONG BRANCH JOCKEY CLUB, LIMITED

THE METROPOLITAN RACING ASSOCIATION OF CANADA (LIMITED)

THE NAPANEE DRIVING PARK ASSOCIATION LIMITED

ORPENDALE LIMITED

THE PETERBOROUGH TURF CLUB LIMITED

THE SIMCOE DRIVING PARK ASSOCIATION LIMITED

THE SUDBURY RIDING AND DRIVING PARK ASSOCIATION, LIMITED

THE THORNCLIFFE PARK RACING AND BREEDING ASSOCIATION, LIMITED

THE TORONTO DRIVING CLUB LIMITED

THE WINDSOR RACING AND ATHLETIC CLUB, LIMITED

